



4-10-2010

# A TALE OF TWO ECONOMIC DEVELOPMENTS: TUNISIA AND MOROCCO

Steven J. Friedman

*University of Pennsylvania*, [friedmsj@wharton.upenn.edu](mailto:friedmsj@wharton.upenn.edu)

Follow this and additional works at: <http://repository.upenn.edu/curej>

 Part of the [African Languages and Societies Commons](#), [Economic History Commons](#), [Growth and Development Commons](#), [International Business Commons](#), and the [Political Economy Commons](#)

---

## Recommended Citation

Friedman, Steven J., "A TALE OF TWO ECONOMIC DEVELOPMENTS: TUNISIA AND MOROCCO" 10 April 2010. *CUREJ: College Undergraduate Research Electronic Journal*, University of Pennsylvania, <http://repository.upenn.edu/curej/120>.

---

# A TALE OF TWO ECONOMIC DEVELOPMENTS: TUNISIA AND MOROCCO

## **Abstract**

Morocco and Tunisia have both achieved robust economic growth over the last 30 years by utilizing prudent economic planning and implementation. The World Bank heralds both countries as prime examples of how market-friendly capitalist systems can be implemented over a short period of time with aggressive goals and benefits for many.

The economic policies of Morocco and Tunisia have transformed both from economically challenged debt-burdened nations into technologically advanced, diversified and thriving middle-class nations. From 1962 to the Present Day, Morocco has averaged a GDP growth rate of 5.8% and Tunisia one of 5.1%. To put that in perspective, the World as-a-whole has grown at 2.0% per year and the United States at 1.1% (even the amazing success of China has only produced a GDP growth rate of 9.0%).

The purpose of this thesis is to address the underlying causes of this consistently well above average growth in answering several key questions: What policies did the World Bank recommend? What did Moroccan and Tunisian leaders do to implement these policies? What industries and relationships have allowed both to thrive? What is the outlook for both nations?

## **Keywords**

North Africa, Economic Development, Tunisia, Morocco, Social Sciences, Near Eastern Languages and Civilizations, Heather J. Sharkey, Sharkey, Heather J.

## **Disciplines**

African Languages and Societies | Economic History | Growth and Development | International Business | Political Economy

# A TALE OF TWO ECONOMIC DEVELOPMENTS: *TUNISIA AND MOROCCO*

**Steven Friedman**, Huntsman Program 2010, University of Pennsylvania  
**Dr. Heather Sharkey**, Advisor, Professor of Middle Eastern & Islamic Studies



**“The Best of Times From The Most Difficult of Times”**

## INTRODUCTION

As far as the economic development of Tunisia and Morocco are concerned, one might say that it has become the best of times from the most troubling of times. The economic growth that both countries have experienced over the last 20 to 30 years has been consistent, and has heralded widespread advancements in the quality of life in both nations. This progress has not come overnight or without well-planned and prudently implemented long-term goals.

The profound changes in both societies can be seen by looking at two individuals, a Tunisian, Ms. Leila Khaiat and a Moroccan, Mr. B. Abdelaziz. Both represent the depth of new opportunities available in both nations, opportunities to excel in new economic fields with additional education, opportunities often available to men *and* women.

The story of Leila Khaiat is remarkable not only because of the way she has been able to expand her fabric, leather and shoe manufacturing business in Tunis, Tunisia but also because she is a woman. Tunisia has aggressively integrated women into the work force, and while numbers are difficult to verify, as many as 10,000 Tunisian companies are now led by women. Ms. Khaiat did not start out as an entrepreneurial figure, rather she was a professor of French literature. However, after the death of her husband, she opted to take-over the day-to-day operations of their company, located in Tunis. Under her watch,

her company Plastiss has doubled in size, taking on over 125 new employees.<sup>1</sup> She laments the fact that Arab traditions and customs make it difficult for women to move more freely and attend meetings to represent their companies, but through her work at the Women's Entrepreneurs Union, she is hoping to change that.

A thousand miles away in Casablanca, Morocco, Mr. Abedelaziz is the Moroccan in-country manager for a Spanish out-sourcing conglomerate named Atento. Over the last ten years, Morocco's leaders have steadily pushed for the creation of new job opportunities for more educated Moroccans. One of the major government initiatives has been in subsidizing the creation of an 'off-shoring' industry where Moroccans can leverage their education and linguistic abilities in answering calls for foreign companies in French, Spanish, Arabic and even English. Mr. Abedelaziz runs Atento's operation in Morocco, which specializes in Spanish and French outsourcing. Under his watch, Atento has expanded from one call center in 2000 to six call centers in 2009, with over 3,000 Moroccan employees. Beyond the less expensive and yet highly educated work force, Atento and Mr. Abedelaziz consider Morocco an ideal location for outsourcing because of the geographic proximity to the European market and because of the extensive upgrades the Moroccan government has implemented in the telecommunication infrastructure of the country.<sup>2</sup> A former Moroccan bank executive, Mr. Abedelaziz represents a new class of entrepreneur, bringing job opportunities to new college graduates that would otherwise not have them.

---

<sup>1</sup> Arab Human Development Reports, UN, "Arab Women Entrepreneurs: A Growing Economic Force," 2005, <http://www.arab-hdr.org/publications/other/ahdr/papers/2005/hijab.pdf> (accessed 2010 March).

<sup>2</sup> Atento, *Atento Morocco opens its fifth contact center in Meknes*, 2009 May, [http://www.atento.com/content/new\\_contactcenter\\_morocco\\_en.mmp](http://www.atento.com/content/new_contactcenter_morocco_en.mmp) (accessed 2010 20-March).

These two individuals perhaps are notable in the sense that their stories represent so many Moroccans and Tunisians like them, given the economic advancement of Tunisia and Morocco over the last 30 years. Today, the World Bank and the International Monetary Fund consider Morocco and Tunisia glowing success stories. Entrepreneurs in both countries are using private capital to innovate in new industries that leverage competitively priced labor and established educational networks to create compelling export-oriented services and products. This is possible only because both nations have implemented well thought-out economic development plans.

This paper will carefully document the central economic policies of both nations over the last 30 years in establishing the profound impact they have had. It will do so by systematically analyzing the reforms and policies that have transformed both nations from socialist, economically-backward states to market-driven capitalist economies. In building out this progression, many interesting similarities and distinctions will emerge. These similarities and differences will be analyzed as part of a larger conclusion, in noting how both countries have arrived at their current destinations using similar, and yet unique, approaches.

## A CLOSER LOOK AT TUNISIA

On the African continent, Tunisia stands out as an economic success story. According to the World Bank, Tunisia has benefited from one of the most robust economic growth rates of any country over the last 20 years. That achievement has not come by accident or without hard work. While many elements have contributed to Tunisian economic growth, three principle factors have driven the bulk of economic and industrial expansion over the last thirty years. Firstly, Tunisia reformed internal financial policies regarding budget deficits, corporate taxes and inflation. Secondly, with additional confidence in the integrity of the internal political and economic system, external economic relations were improved. Tunisia has been able to break down trade barriers and create an environment conducive to foreign direct investment. Thirdly, as foreign and private investment has soared, Tunisia has been able to rapidly improve its infrastructure and focus on both 'knowledge'-based and tourism-based economic growth.

### **From French Occupation to Independence**

In order to understand how Tunisia has achieved a very high annual GDP growth rate of five percent<sup>1</sup> over the last 20 years, it is necessary to first examine Tunisia's historical development. In 1880, the French invaded Tunisia by asserting Tunisian rulers had encroached on Algerian-French controlled territory. France occupied Tunisia and appointed a resident minister who was responsible for loosely governing the nation. The French laid the groundwork for future economic success with many important reforms, including the establishment of a functioning judicial system and more importantly, a rigid

and reliable financial structure. The French continued to rule Tunisia through World War II. However, with the post-war decline of France, the colonies became a financial and political burden. This partially explains how the Tunisian Independence movement that was started during the war achieved a peaceful and successful result in 1956 with Tunisian independence.<sup>3</sup> The first democratically elected president of Tunisia, Habib Bourguiba, quickly set his sights on a socialist, state centered economy. Bourguiba attempted to nationalize private industry under several state run umbrellas, but faced strong opposition from domestic and foreign investors. The fight over the economic future of Tunisia would continue until 1969, when the World Bank threatened to revoke all financial aid if Tunisia did not shift to a more market friendly approach.<sup>4</sup> Contextually, Tunisia's struggles with socialism versus capitalism unquestionably represented a microcosm of the larger Cold-War battle between the two opposing economic ideologies. While the World Bank's intervention was successful in pushing Tunisia towards implementing a capitalist system, many countries within the region, including Morocco, struggled with a similar debate.

### **Market Friendly Orientation Takes Hold**

In the early 1970s, the World Bank persuaded Bourguiba to replace his socialism-minded economic minister with one who was market-friendly and who supported 'liberalization'.<sup>4</sup> In 1973, President Bourguiba issued the first definitive market oriented ten-year plan, aiming for a 6% GDP growth rate. Bourguiba intended to accomplish this ambitious goal by supporting the full privatization and expansion of Tunisia's light

---

<sup>3</sup> Encyclopædia Britannica Online, *Tunisia*, 2009, <http://www.search.eb.com/eb/article-46620> (accessed 2010 20-January).

<sup>4</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).



industries, such as the textile sector. Additionally, funds were set aside for agricultural development in the hopes of achieving internal food self-sufficiency.<sup>5</sup> The resulting shifts set in motion a series of government initiatives that have steadily moved Tunisia towards a successful market economy. The government has remained highly involved in the private sector, promoting certain industries and subsidizing where necessary,<sup>6</sup> but production has been entirely privatized and is driven by market forces. In order to continue growth beyond the initial phases of privatization, the government has taken aggressive steps to foster additional investment. These additional steps were further strengthened when Bourguiba was ousted in a coup by his constitutionally appointed successor, Zine El Abidine Ben Ali, who affirmed Tunisia's commitment to capitalist development by "removing obstacles to reform".<sup>6</sup> Specifically, the Tunisian government under Ben Ali has committed to achieving strong GDP growth by focusing on internal and external policy planning, and by fostering internal infrastructural development.

### **Putting Tunisia's Internal Financial Policies In Order**

Of the three main factors that have affected the overall growth rate of Tunisia's economy, policies concerning internal economic management were extremely significant. Examples of such policies include reducing the budget deficit and overhauling corporate tax laws. Ben Ali issued a sweeping new development plan as he took office in 1987. He

---

<sup>5</sup> Thomson Gale, *Tunisia Economic Development*, 2006, <http://www.nationsencyclopedia.com/Africa/Tunisia-ECONOMIC-DEVELOPMENT.html> (accessed 2010 22-January).

<sup>6</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

called for major structural reforms, reforms demanded by the IMF and World Bank in order for Tunisia to continue securing funding.<sup>7</sup>

Ben Ali's plan called for market-based pricing and reduced tariffs. Before turning his attention to these goals, Ben Ali would first have to address the most pressing issue of Tunisia's seventh development plan: quickly reducing the budget deficit. The budget deficit in 1986 was 5.3% and Tunisia had a cash flow problem. (As a basis of comparison, that 1986 5.3% budget deficit compares to the European Union's current mandated maximum deficit of 3.0% for member countries.) Foreign debt was rising rapidly as Tunisia borrowed from abroad to finance public investment in the private sector. Subsidies accounted for nearly 55% of total government spending.<sup>8</sup> By passing significant new laws that promoted private investment, funds were either removed from the budget or diverted elsewhere. Specifically, funds were redirected towards development of social services and agricultural infrastructure. This money was used primarily to promote export-oriented products that had potential to help further eradicate Tunisian trade deficits.<sup>9</sup> The policies to reduce spending were effective, and have lowered the overall budget deficit to under 3% in 2007.<sup>10</sup>

---

<sup>7</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

<sup>8</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

<sup>9</sup> Thomson Gale, *Tunisia Economic Development*, 2006, <http://www.nationsencyclopedia.com/Africa/Tunisia-ECONOMIC-DEVELOPMENT.html> (accessed 2010 22-January).

<sup>10</sup> IMF, *Tunisia and the IMF*, 2008, <http://www.imf.org/external/country/TUN/index.htm> (accessed 2010 23-January); World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

Along with the budget deficit, controlling inflation was seen as another key internal necessity by foreign entities such as the IMF and the World Bank. As the government began privatizing the economy, remaining socialist price controls and subsidies were removed and permanently discontinued. Tunisia was forced to float its currency and adjust its macroeconomic policies accordingly. As is often the case, currency 'floating' via deregulation and inflation are highly correlated. After Tunisia's deregulation, inflation was officially recorded at 8% and unofficially, was thought to be closer to 15%.<sup>11</sup> The government responded to rising inflation in many ways. First, for many years, minimum wage increases were pegged to the official inflation rate ensuring everyday necessities remained affordable.<sup>12</sup> Additionally, the country pursued a tight monetary policy where money supply was kept low, in order to curb inflation. Throughout the 2000s, Tunisia has experienced relatively stable inflation, including a 2009 rate of 3.4%.<sup>13</sup>

Beyond inflation, a balance of payments issue has chronically plagued the country. Going into the massive 1987 government restructuring, interest expense associated with foreign debt accounted for 20% of total export income, a very high figure by most international comparisons. By eliminating subsidies, promoting export oriented industries and attracting greater foreign investment, Tunisia has combated this issue of balance of payments with some success. The country now earns more foreign income because of

---

<sup>11</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).; William Zartman, "Tunisia: The Political Economy of Reform," 122-124, 146 (Boulder, USA: Lynne Rienner Publishers Inc, 1990).

<sup>12</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

<sup>13</sup> *CIA World Fact Book - Tunisia*, 2010, <https://www.cia.gov/cia/publications/factbook/geos/ts.html>. (accessed 2010 23-January)

expanded exports and has significantly reduced foreign debt, which means the government has to pay less interest. Today, debt service makes up only 9% of overall export income.<sup>14</sup>

One final major internal policy was the unification and clarification of all tax and corporate registration policies. As Tunisia began entering various trade agreements, most required the simplification of the tax and investment code.<sup>15</sup> Tunisia responded to this requirement in the Investment Code of 1993 which

focused on national objectives rather than incentives to specific [regions]. Taxation and incentives from various sector codes were unified, with 10-year tax holidays being offered to all new investments and additional tax breaks for firms which promoted exports, introduced technology, encouraged environmental development and based themselves in less-developed regions.<sup>16</sup>

The results of this code, which shifted tax collection and taxation policies away from a regional model and onto a more national level, were twofold. First, start up companies faced far less red tape in their entrance into the Tunisian market. Second, the low tax environment coupled with favorable labor costs provided strong incentives for outside companies to enter in the first place.

### **External Politics Reduce Barriers to Free Trade**

---

<sup>14</sup> Anwar Shabon, *The Political, Economic , and Labor Climate in Tunisia* (Philadelphia, PA: Industrial Research Unit Press, 1985).; Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).; World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

<sup>15</sup> World Bank, *The EU Agreement & Tax Reform in the Mediterranean Region*, 2005, <http://www.worldbank.org/mdf/mdf1/tax.htm> (accessed 2010 24-January).

<sup>16</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

As the internal policy goals of the seventh economic plan began to shift Tunisia towards a market economy, Ben Ali and the Tunisian government also took decisive action with regard to external policies. The first shift in external economic orientation took place after Tunisia successfully joined the General Agreement on Trade and Tariffs (GATT). GATT was established to equalize tariffs and reduce overall barriers to international trade. Tunisia ratified GATT under President Ben Ali in 1990, and inherently agreed to adjust all tariffs to “acceptable levels”.<sup>17</sup> This notion of reducing tariffs went hand-in-hand with the idea that Tunisia had no interest in import substituting and instead aimed to make their exports competitive on the open world market. This commitment to free and open trade as part of GATT allowed Tunisia to join the World Trade Organization (WTO) in 1995 as a founding member. As part of the WTO, Tunisia has directly negotiated several additional multilateral trade agreements to further boost foreign direct investment and exports.

### **Tunisia and the European Union**

The principal multilateral trade agreement that Tunisia pursued as part of its external economic policy was with the European Union. The European Union consumes roughly 80% of Tunisian exports and accounts for just over 70% of Tunisian imports.<sup>18</sup> As part of the E.U.-Tunisia Trade Agreement that was signed in 1995, the E.U. and Tunisia agreed to mutual economic cooperation. The E.U. has provided significant funding in exchange for the complete reduction of Tunisian tariffs by 2010<sup>18</sup>. Tunisia was the first

---

<sup>17</sup> Emma Murphy, “Economic and Political Change in Tunisia,” p. 125, 130, 138 (New York, USA: St. Martin’s Press, 1999).

<sup>18</sup> *Tunisia - Overview. European Union Information*, [http://ec.europa.eu/comm/external\\_relations/tunisia/intro/index.htm](http://ec.europa.eu/comm/external_relations/tunisia/intro/index.htm) (accessed 2010 20-February).

North African country to establish such an agreement, thanks in part to Ben Ali's consistent commitment to increasing foreign investment and promoting exports through the reduction of tariffs. As a "preferred" Tunisian trading partner, E.U. countries enjoy significant competitive advantages in reaching the Tunisian market, as the tariffs they face relative to non-preferred partners are dramatically lower.<sup>19</sup>

Another multilateral trade agreement that has factored into Tunisia's external economic policy has been the Agadir and Great Arab Free Trade Area agreements. The Agadir agreement established a free trade zone between Jordan, Tunisia, Egypt and Morocco in 2004. These four countries each agreed to transition to free trade by gradually reducing tariffs and custom fees on pre-selected goods by 2006.<sup>20</sup> This founding group of four countries hoped to use the Agadir agreement to "move towards the accommodation of the greater Arabic free trade area," which was accomplished when the larger Great Arab Free Trade Area agreement was signed in 2005.<sup>21</sup> The Greater Arab Free Trade Area agreement imparted on the rest of the Arab world many of the same basic principles that Ben Ali and his counterparts in Jordan, Tunisia and Egypt agreed upon with the Agadir pact.

### **Growth of Foreign Direct Investment**

Removing trade barriers and signing new multilateral trade agreements had a significant and rather immediate result on foreign direct investment in Tunisia. From 1991

---

<sup>19</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

<sup>20</sup> *Agadir Agreement(2004) Bilateral Agreements*, 2005,  
[http://www.bilaterals.org/article.php3?id\\_article=2513](http://www.bilaterals.org/article.php3?id_article=2513) (accessed 2010 20-January).

to 1995, direct foreign investment in Tunisia doubled, from \$126 million to \$250 million.<sup>21</sup> This doubling, coupled with new and more effective internal policies that were previously outlined, allowed Tunisia to aggressively foster internal infrastructural development. By 2009, net foreign direct investment (FDI) has grown to nearly \$1.6 billion dollars and now represents 3% of total Tunisian GDP (an increase of 2 % since 1997). Interestingly, as FDI has grown, the sectors in which foreigners have invested have shifted. In 1992, nearly 60% of FDI was concentrated in the agricultural sector, with only 10% was in the more advanced electrical or mechanical engineering sector. In 2006, only 22% of FDI was concentrated in agriculture with over 30% now shifted towards the more capital-intensive engineering fields.<sup>22</sup> Tunisia was one of the first countries within its region to appreciate how important FDI can be in building infrastructure, and had one of the highest percentages of FDI to GDP of its peer group from 1995 to 2000. More recently, other countries, including Morocco, Egypt, and even Algeria, have begun to aggressively court FDI and are starting to match Tunisia's success in attracting outside investors.<sup>23</sup>

### **Infrastructure Development Allows Further Progress**

Infrastructural development is the third element that Tunisia employed in order to promote economic development from 1987 to the present day. Infrastructure development was carefully planned and monitored by President Ben Ali and outside economic organizations. In order to allow for additional outside investment that would help promote development, the banking system was first reformed and stabilized. As outside investment

---

<sup>21</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

<sup>22</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

<sup>23</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

began growing, Tunisia had the opportunity to move away from state controlled enterprises, modernize the agricultural system with newly freed-up funds, implement a new transportation network and improve the telecommunication infrastructure.

As previously noted, before any changes to the economic infrastructure could take place, a new and more efficient banking system was required. The state-run Central Bank of Tunisia tightly controlled the banking system until 1987.<sup>24</sup> In 1988, the government issued a plan with four pillars to promote the structural adjustment of the banking system. The plan called for eliminating or severely limiting restrictions on the financial markets and liberalizing banking policies to help make Tunisia a hub of banking in the Middle East. In practice, Tunisia did this by “breaking down artificial and legal barriers between commercial, development, and offshore banks.”<sup>23</sup> As the reforms began to take hold, specific branches of the Central Bank broke off to serve different functions. Today, there are over 765 independent banking agencies.<sup>23</sup> Additionally, the Tunisian Economic Ministry proudly boasts that Tunisia is a “financial center of prime importance,” “one of the largest in the Arab World” with operations of “Citibank, Link, ALUBAF” and other leading investment banks.<sup>25</sup>

Improved legal and financial infrastructures have allowed for the diversification of Tunisian industry to a large extent. In 1980, petroleum based products made up over 50% of Tunisian exports, with textiles composing the next 18% and agriculture at 8%. By 2006, textiles grew to represent 33% of exports, with machinery and engineering representing

---

<sup>24</sup> William Zartman, “Tunisia: The Political Economy of Reform,” 122-124, 146 (Boulder, USA: Lynne Rienner Publishers Inc, 1990).

<sup>25</sup> Tunisia Online, *The Financial System*, 2006, <http://www.tunisiaonline.com/economy/economy2.html> (accessed 2010 19-January).



19% and fuel at only 13%. This dramatic shift in the product make-up of Tunisia's exports has not only allowed Tunisia to better withstand shocks in certain sectors, such as potential declines in petroleum prices, but it has also been a key driver in the growth of foreign income earnings.<sup>26</sup>

As previously mentioned, foreign direct investment has grown substantially in the engineering sector. This has occurred as Tunisia has aggressively courted companies that operate in the 'value-added' engineering sector and the accompanying high paying jobs that the sector can offer. Value added engineering is manufacturing where raw products are assembled into finished products, often for sale in foreign markets. This type of manufacturing occurs most often with textile and leather products in Tunisia, however, the percentage of value added manufacturing related to much more advanced industries, such as mechanical and chemical engineering, has increased rapidly in the 2000s. While the growth rate of overall Tunisian exports has fluctuated extensively throughout the last decade, value added exports have grown consistently between 1 % and 3% every year.<sup>27</sup>

### **Better Infrastructure Leads To Better Agriculture**

With a de-centralized banking system that was more amenable to international investment, Tunisia was finally able to focus on internal infrastructural development. As previously mentioned, as the state cut funding for private industrial capital, the funds were redirected elsewhere. For example, from 1986 to 1991, agricultural spending nearly

---

<sup>26</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

<sup>27</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

doubled while industrial spending increased by only 50%.<sup>28</sup> Approximately 19% of Tunisian government funds were spent in an effort to modernize the agricultural industry.<sup>29</sup> By the numbers, agriculture is very important to Tunisia, with nearly 4,000 square kilometers of irrigated farmland producing olive oil, grain and citrus fruits. In Tunisia, agriculture accounts for nearly 13% of the GDP and over 20% of the labor force.<sup>30</sup> As part of the original 1987 Economic Plan by Ben Ali, water mobilization was made a central focus, with the construction of new dams and water distribution facilities.<sup>31</sup> Additionally, nearly 100% of the state owned farming land has been sold or restructured for private, and more efficient use. All of the agricultural improvement efforts were undertaken in the hopes of “promoting self sufficiency, generating employment and providing a standard of living in rural areas.”<sup>27</sup> In looking back, these reforms have been relatively successful, as employment in the agricultural industry has remained strong. In part, this has been the case because of strong European consumption of Tunisian agricultural products that were specifically liberalized under the E.U. multilateral trade agreement.

With stronger agricultural production mechanisms in place, many rural Tunisians have migrated towards cities over the last two decades, resulting in an abundance of cheap labor. This abundance of labor has combined with many factors that were intentionally

---

<sup>28</sup> Emma Murphy, “Economic and Political Change in Tunisia,” p. 125, 130, 138 (New York, USA: St. Martin’s Press, 1999).

<sup>29</sup> Thomson Gale, *Tunisia Economic Development*, 2006, <http://www.nationsencyclopedia.com/Africa/Tunisia-ECONOMIC-DEVELOPMENT.html> (accessed 2010 22-January).

<sup>30</sup> *CIA World Fact Book - Tunisia*, 2010, <https://www.cia.gov/cia/publications/factbook/geos/ts.html> (accessed 2010 йил 23-January).

<sup>31</sup> William Zartman, “Tunisia: The Political Economy of Reform,” 122-124, 146 (Boulder, USA: Lynne Rienner Publishers Inc, 1990).

created by the Tunisian government to create a very strong private industrial economic sector. As part of his decisive action in 1987, Ben Ali not only called for reducing the debt, liberalizing prices, reducing tariffs and improving agriculture exports, but also for the immediate privatization of many state owned industries.<sup>32</sup> In practice, Ben Ali knew this reform was one of the most necessary for long-term economic growth in Tunisia, and he was able to quickly implement privatization in several ways. Firstly, he changed the way the government defined what corporations it owned and controlled. He raised the minimum percentage for governmental control of companies from 10% government owned to 50% government owned.<sup>32</sup> This effectively handed control to private owners for those corporations that fell between 10% to 50% government ownership level and shifted decision making away from the government. Additionally, all activities were demonopolized, meaning private competition was now encouraged. Finally, all “factories, farms, hotels and state enterprises” were sold to the private sector.<sup>32</sup>

### **A New Source of Private Capital Emerges in Tunisia**

The end result of these actions was seen in an extremely quick shift in the primary source of start up capital in Tunisia. Foreign direct investment went from \$91 million US dollars in 1987 to \$122 million US dollars in 1991 while direct government investment went from 5.6% of GDP to 2.6% of GDP over the same time period. Importantly, the overall capital available actually went up from 20% of GDP to 22% of GDP, suggesting that

---

<sup>32</sup> William Zartman, “Tunisia: The Political Economy of Reform,” 122-124, 146 (Boulder, USA: Lynne Rienner Publishers Inc, 1990).

although the government scaled back capital investment significantly, other private sources more than compensated for this downwards adjustment.<sup>33</sup>

One aspect that is important to examine in regard to private industry is how the Tunisian government has responded to privatization. Relative to private industry, the Tunisian government has continued to play a large role in driving industrial decision-making, but through increasingly passive means. As previously discussed, large tax incentives are offered for those private companies who meet certain criteria, such as being 50% or more export oriented in their product mix or promoting the integration of new technology.<sup>34</sup> This has been particularly the case in the government's willingness to extend "honeymoon" tax exemption periods for up to ten years if new companies agree to offer technical or vocational training to employees.<sup>35</sup>

As the Tunisian government has become more adept at managing its regulatory position within the private market economy, President Ben Ali and others have begun to shift their focus to other forms of internal Infrastructural development, such as improving the communication networks. As part of 1997 – 2001 economic plan, Ben Ali called for the total restructuring of the communications industry, which had been under state control since post-colonialism. The Post, Telephone and Telegraph (PTT) were officially broken up into smaller parts and most were sold to various private corporations. According to the Tunisian Telecommunication and Research Center, today, Tunisia boasts a strong GSM

---

<sup>33</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

<sup>34</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

<sup>35</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

wireless phone system with three primary private competitors. Additionally, 12 companies have begun to offer Internet access at dial up and high-speed rates over the last year. Both the mobile phone and internet penetration numbers mark significant improvements and show a conscientious march towards the future.<sup>36</sup>

### **Tourism, The Knowledge Economy and Unemployment in Tunisia**

Unquestionably, Tunisia has made incredible strides towards economic stability since 1987. Ben Ali has been an economically minded president in guiding not only shifts in the internal and external policies, but in promoting internal infrastructural development as well. That established, Tunisia still has areas that offer room for improvement. First and foremost, Tunisia's many efforts over the last twenty years to significantly lower unemployment have been relatively unsuccessful. Today, unemployment is around 13%,<sup>37</sup> significantly lower than it was during the socialist experiments of the 1960's, but still unacceptably high. Many economists have argued that the lack of skilled laborers has contributed to this abnormally high rate of unemployment. In response, the Tunisian government has included the development of a knowledge economy in its most recent economic plan, due to expire at the end of this year.<sup>38</sup>

As part of this plan, the President Ben Ali hoped to attract high-technology companies with tax incentives in order to further train workers and increase the overall knowledge base of the society. Additionally, Tunisia has aggressively built up a

---

<sup>36</sup> World Bank, *Tunisia's Global Integration* (Washington, D.C.: World Bank, 2009).

<sup>37</sup> *CIA World Fact Book - Tunisia*, 2010,  
<https://www.cia.gov/cia/publications/factbook/geos/ts.html> (accessed 2010 йил 23-January).

<sup>38</sup> Thomson Gale, *Tunisia Economic Development*, 2006,  
<http://www.nationsencyclopedia.com/Africa/Tunisia-ECONOMIC-DEVELOPMENT.html>  
(accessed 2010 22-January).

Mediterranean tourism industry that has helped create many new jobs along the less populated coast. Currently, the economic ministry is working to further lower unemployment under the mantra “two new tourist beds, one new job.”

The importance of the ever-expanding tourism industry in combating unemployment cannot be overstated. Although tourism has represented one of Tunisia’s main sources of foreign currency since the late 1960s, today, the country has more 5 star hotels than it did hotels in total in 1971. The rapid expansion of the hotel industry has been highly correlated with the larger tourism services industry. In 1971, Tunisia had a so-called “bed capacity” of 40,000, while in 2006, that number had reached nearly 230,000. Tunisia has focused on opening more exotic and accessible tourist destinations, with the expansion of deep-water ports, relaxation spas, and ecotourism centers. The number of foreign visitors has climbed dramatically as these new tourist facilities have come on-line, from just over 5 million in 2003 to nearly 6.5 million last year.<sup>39</sup> While the industry is highly cyclical and most tourists arrive in the summer months, the government views tourism as one of the best hopes to further combat unemployment. 11.5% of Tunisians are permanently employed in the tourism industry, and many more on a seasonal basis.

As competition across North Africa and the Mediterranean intensifies for tourism dollars, higher paying ‘knowledge based’ jobs are one potential complement to increased competition. As the Tunisian government admits, as “natural resources are exhausted and increasing competition in traditional products and markets” takes hold, knowledge based

---

<sup>39</sup> Mohamed Bouamoud, *Radioscopie du tourisme tunisien 2003-2006*, 2006, <http://www.webmanagercenter.com/management/article.php?id=35380> (accessed 2010 йил 21-February).

jobs will be essential to maintain economic growth. Recognizing that “manufacturing industries often figure among activities with low levels of knowledge,” the current economic plan aims to attract sectors with a higher level of knowledge including the following industries: telecom, financial services, computer services, support services to enterprises, and pharmaceuticals.<sup>40</sup> While it remains to be seen how successful Tunisia will be on a larger scale with building a knowledge based economy, the government has issued reports annually on their efforts since 2004 and are hopeful that knowledge based jobs will help counter unemployment. Progress, as previously noted, in the chemical and mechanical engineering sectors is promising and hopefully indicative of what can and will occur in other sectors.

### **Women in the Tunisian Economy**

An interesting dichotomy exists between women within Tunisia vis-à-vis other predominantly Arabic speaking countries in that Tunisia lacks any meaningful distinction between female and male literacy and education rates. The ability to pursue higher education has begun to transfer into a more equal presence in the work force for women. For instance, Valentine Moghadam’s notes the fact that nearly 44% of Tunisians who are employed in finance, insurance and real estate are women, a significantly higher portion than in Morocco or any other Middle Eastern and North African (MENA) country. However, a darker reality might be masked behind this significant achievement, as Moghadam notes that women in Tunisia are far more likely to be unemployed than men (nearly 30% versus the average 14% unemployment rate). When employed, they are often confined to

---

<sup>40</sup> *Tunisian Investment Authority. Knowledge Based Jobs in Tunisia.*, 2008, <http://www.investintunisia.tn/document/295.pdf> (accessed 2010 йил 08-March).

agriculture and manufacturing industries that draw comparatively low wages. While she does praise Tunisia for being the furthest along of the MENA countries in terms of integrating women into their open, export oriented economy, women are often “manufacturing workers [...] who are home based workers or are otherwise working informally.”<sup>41</sup> These two realities, Tunisia’s ability to integrate highly educated women into high paying sectors such as the financial services industry while simultaneously failing to create meaningful opportunities for the larger female workforce are both promising and concerning. Moghadam closes in noting that employing educated women is an “important way to raise the competitiveness of the workforce, attract more foreign investment, raise wages, alleviate household poverty, and serve the female population well.” It is clear that unlike many of its peers, Tunisia understands that its economic fate is in large part tied to its ability to integrate women into the workforce. What remains to be seen is if its success in certain industries can be transferred to the larger Tunisian economy.

### **Democratic Reforms and Capitalist Development**

The World Bank and the IMF have universally lauded Tunisia’s economic development as a model for other countries. However, democratic reforms have not accompanied this economic progress. In the 2008 Democracy Index, Tunisia was ranked 141<sup>st</sup> out of 167 countries in terms of democratic openness and was labeled an

---

<sup>41</sup> Valentine M. Moghadam, *Women, Work, and Economic Reform in the Middle East and North Africa* (Lynne Rienner Publishers, 1998).



authoritarian regime. For reference, Iran was ranked 145<sup>th</sup> and China was ranked 136<sup>th</sup>.<sup>42</sup> Zine Ben Ali has been re-elected by popular 'vote' several times since his ascension to power in 1987; however, these elections are widely regarded as illegitimate, fixed and fraudulent. While Tunisia has made an effort to appear politically more open, these 'reform' attempts have simply attempted to validate the existing political structure utilizing staged elections. Every five years, Zine Ben Ali has won with commanding majorities (nearly 90% in late 2009). Tunisia is frequently criticized for suppressing opposition perspectives and for heavily censoring the news media and internet within the country.<sup>43</sup> Tunisia shares the dubious distinction of being an "enemy of the internet" with countries such as Iran, North Korea and Saudi Arabia.<sup>44</sup> Zine Ben Ali firmly controls the government, and the justice ministry, and always wins massive majorities for his political party in the parliamentary system.

From an *economic* perspective, the impact of this centralization of power has not necessarily been a net negative for Tunisia. Zine Ben Ali has effectively managed to develop and implement sweeping national economic plans several times over since 1987, and his consistent and prudent management style certainly has yielded economic benefits for the country. Largely, trading partners like the U.S. and the E.U. have ignored Tunisia's less democratic ways in favor of promoting free trade and forging deeper economic ties. In a recent World Bank report analyzing Tunisia's overall progress, only 4 sentences of a multi-

---

<sup>42</sup> 2008 Democracy Index, 2009, <http://a330.g.akamai.net/7/330/25828/20081021185552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf> (accessed 2010 йил 20-February).

<sup>43</sup> Tunisia: Human Rights Lip Service, 2008, <http://www.amnesty.org/en/for-media/press-releases/tunisia-human-rights-lip-service-20080623> (accessed 2010 йил 24-January).

<sup>44</sup> Enemies of The Internet Named, 2006, <http://news.bbc.co.uk/2/hi/6124420.stm> (accessed 2010 йил 20-January).

page document were devoted to political analysis. One sentence states, with no qualification as to the credibility of the statement, that due to recent political reform, “four candidates from the opposition have so far officially declared their intention to run against Ben Ali.”<sup>45</sup> The World Bank and others have largely overlooked Zine Ben Ali’s lack of democratic legitimacy and have instead opted to continue working with him to promote his economic agenda. Unquestionably, Zine Ben Ali’s economic acumen has translated into political capital. And this power in the political system has transferred into great personal wealth for himself, his family and his closest advisors. While the figure is widely disputed, Forbes magazine estimated that Zine Ben Ali might have a personal net worth of as much as \$5 billion U.S. in 2007.<sup>46</sup>

In the long run, it is unclear whether increased economic development will lead to a more legitimate democracy in Tunisia. Many scholars have conducted work analyzing the role capitalist development plays in encouraging democratic reforms within nations. While most of the recent academic work concerns China and whether roaring economic growth will force democratic reform, the underlying messages and analysis for the Chinese case apply to Tunisia. Inglehart and Welzel argue that the development of an educated and informed middle class is the key in forcing democratic reforms in China and elsewhere. They believe that as a middle class emerges in developing countries that have authoritarian systems, middle class citizens will put increasing pressures on the government to allow them to have a greater say in the direction of their country. This cultural awakening will be

---

<sup>45</sup> *Tunisia Country Brief*, 2009, <http://go.worldbank.org/M7QSXSK3G0> (accessed 2010 йил 21-January).

<sup>46</sup> *Historic Growth Trend of Tunisia’s Economy, 1962 – 2007*, 2009, <http://www.nawaat.org/portail/2009/04/10/historic-growth-trend-of-tunisi-as-economy-1962-2007/> (accessed 2010 йил 22-January).

brought upon by greater awareness of the freedoms afforded to the middle class in similarly developed but democratic countries. This new awareness and associated urge for more rights will spread through new media, with the widespread availability of satellite television and the internet.<sup>47</sup>

What remains to be seen is if this academic theory will come to pass in reality. Zine Ben Ali's tight political control has allowed him to credibly implement his economic overhaul plan. While efforts have been made to make Tunisia *appear* more politically open, one would be hard pressed to find evidence of any *real* movement towards a democratic regime. Tunisians do increasingly have access to satellite TV and the internet and are increasingly educated, but the government closely sensors most media and any political opposition is closely monitored and routinely subject to harassment.

### **The Tunisian Success Story?**

From an economic perspective, the lack of democratic reform and the lingering unemployment dilemma are only small issues in what has otherwise been an extraordinarily successful cultivation of a capitalist society in a short period of time. In a 1993 report analyzing the Tunisian government's success in creating a privatized, export orient economy, the IMF notes that

---

<sup>47</sup> Inglehart and Welzel, *How Development Leads to Democracy* (Foreign Affairs, March / April 2009).

Tunisia's progress [...] provides a prime example of the successful transformation of an economy from one heavily regulated by government to one based on market orientation and from an inward looking to an export-oriented one.<sup>48</sup>

President Ben Ali and the Tunisian government managed the successful transition that the IMF refers to with economic planning that focused on internal and external policy modification as well as internal infrastructural development.

Internally, Ben Ali was ensured a low budget deficit and inflation rate, and helped narrow the gap in Tunisia's balance of payments. He also strove to clarify and improve the tax structure, making sure to offer incentives for foreign investment and cut administrative red tape. With regards to his external policies, Ben Ali sought an aggressive reduction of tariffs, with a focus on promoting export-oriented goods. He was the first head of state in Northern African to pursue inclusion in the GATT and WTO, and was also a driving force behind the E.U. multilateral trade agreement. Finally, he started to promote the development of internal Tunisian infrastructure by establishing a transparent and trustworthy banking system that was in line with foreign standards. He moved beyond the banking system in finally devoting sufficient state funds to modernize agricultural production by privatizing land and increasing irrigation funding. Most importantly, he aggressively privatized previously state owned industries by changing monopoly laws and selling off state corporations.

The end result has been truly remarkable. According to the World Bank, Tunisia is the only country in Northern Africa that has moved into a comfortable "middle income"

---

<sup>48</sup> Emma Murphy, "Economic and Political Change in Tunisia," p. 125, 130, 138 (New York, USA: St. Martin's Press, 1999).

nation. The Tunisian Economic Bureau boasts that over 2,100 foreign firms now directly invest in Tunisian companies. The trickle down effect from having a stronger and more market driven economy has been wide reaching. Tunisia today has one of the highest literacy rates in the Arab world and a nearly 50 / 50% parity between males and females who are seeking primary, secondary and tertiary education.

As Tunisia looks towards the future, it appears the government hopes to maintain its current course in embracing the market economy and foreign investment. By 2016, they hope to reduce unemployment by 4% to 10%, raise private investment by 5% and diversify the economy even further.<sup>49</sup> All of these indicators paint a bright economic and social future for the nearly ten million Tunisian residents.

Thirty years ago, Tunisia was in a state of economic disarray, with inefficient state run enterprises and poor economic policies. Today, thanks in large part to the strong economically prudent reform policies of President Ben Ali, the same can no longer be said. In carefully examining and improving upon internal and external policy planning, as well as the internal infrastructure, Ben Ali and the Tunisian government have become a model of adopting a market-driven economic model. As the president and others look to the future, they unquestionably are planning to shift towards a more knowledge-based economy as workers become more educated and skilled. And if previous success in achieving their goals is any indication of future success, Tunisia's incredible economic growth over the last twenty years is bound to continue for some time to come.

---

<sup>49</sup> *Tunisian Investment Authority. Knowledge Based Jobs in Tunisia.*, 2008, <http://www.investintunisia.tn/document/295.pdf> (accessed 2010 йил 08-March).

## A CLOSER LOOK AT MOROCCO

If the Tunisian economic development progression could be reasonably described as a straight line from the 1970s onwards, the Moroccan progression occurred in a V-like shape. That is to say, from post-independence through the 1970s, the Moroccan economic situation rapidly deteriorated before rapidly improving in the 1980s and onwards. This decline in the earlier part of the post-independence period can be directly attributed to Mohammed V's and Hassan II's 'Moroccanization' of the economy. Under their leadership, power was consolidated around the monarch, and Morocco veered towards import substitution and the nationalization of most industries. The resulting crisis nearly bankrupted Morocco, and Hassan II was forced to dramatically change course in order to win debt forgiveness from foreign lenders. As part of the 'De-Moroccanization' that ensued, the groundwork was laid for the today's robust economy by de-valuing the currency and by encouraging export oriented enterprises. Hassan II's success in re-directing Morocco has allowed Hassan II's son, Mohammed VI, to focus on the expansion of the Moroccan economy. Mohammed VI has forged into new and exciting areas, such as outsourcing and exotic tourism as part of his impressive efforts in the 21<sup>st</sup> century.

### **French Occupation to Independence**

As the power of Morocco's Alaouite dynasty diminished, European trade and relations became increasingly important for the Moroccan economy. The French showed strong interest in Morocco as part of their ever-expanding colonization of North Africa as early as 1830. However, the territory that is more or less unified today remained deeply

contested by many of the European powers throughout most of the 19<sup>th</sup> and 20<sup>th</sup> century.<sup>50</sup> In 1844, the first of two Franco-Moroccan conflicts erupted, over the potential stationing of French troops in Morocco's territory. At the Battle of Isly, Morocco lost decisively and Morocco's Sultan was forced to accept French presence in his territory. Spain followed France's lead in 1860 and stationed troops in parts of northern Morocco, including commercially significant port of Tangiers, and the southern 'Western Sahara'. This troop allotment began an approximately 50-year period of European quibbling over Morocco, with no formal occupying power. In 1906, as part of the Act of Algeciras, Morocco's main trading partners, principally the U.S., the U.K., Germany, Spain and France, established a joint French and Spanish police force in Moroccan port cities. While this Act did legitimize some of the French presence, the French and Spanish moved to further protect their claim in imposing a protectorate over Morocco in 1912. The Spanish occupied the Northern and Southern most territory and the French occupied the rest of the country.<sup>51</sup>

With this, Moroccan guerilla fighters launched the second Franco-Moroccan conflict, a conflict that would extend into the early 1930s. It is important to note, that unlike Algeria which was colonized in 1830, and Tunisia which was colonized in 1881, Morocco was quasi-independent through 1912. Since both Morocco and Tunisia achieved independence at roughly the same time, the significant difference in the length of their French colonial administration periods had several implications for Morocco's later economic development. Firstly, whereas the French invested heavily in Tunisian infrastructural development, by 1912, French resources were severely stretched and colonial investment

---

<sup>50</sup> C.R Pennell, *Morocco since 1830: A History* ( New York: New York University Press, 2000).

<sup>51</sup> *Morocco - History*, 2009, <http://www.nationsencyclopedia.com/Africa/Morocco-HISTORY.html> (accessed 2010 йил 4-March).

was far more limited and targeted. Secondly, the Act of Algeciras established the principal of 'commercial equality' for all of Morocco's trading partners. This ability to form close relationships with a broad range of trading partners, most importantly the United States, would also significantly impact Morocco's development over the course of the 20<sup>th</sup> century.

The Moroccan Nationalist Movement slowly gained importance and recognition from 1934 onwards. In 1943, the movement officially formed the Independence (Istiqlal) Party with the support of the then Sultan, Sidi Mohammed bin Yusuf. Because of his vocal support for the independence movement, the Sultan was exiled for two years in 1953, prompting widespread violence and protests in Morocco. The French were forced to return the Sultan to power in 1956, when Morocco was officially granted independence and the Sultan was anointed Morocco's monarch as King Mohammed V.<sup>52</sup>

### **Post-Independence Economic Planning: 1956 - 1972**

Most of the economic planning in the immediate post-independence time frame was driven by the existence of two divergent Moroccan economies: a rural agrarian economy and a developing urban economy. While Mohammed V was placed on the throne with the support of the urban-based Independence Party, he was keenly aware that the support of the tribal and powerful agrarian base was essential to his success.<sup>53</sup> In 1960, Morocco issued its first four-year economic plan, with aggressive economic growth goals. The plan called for heavy nationalization of Moroccan industry and more importantly, nationalization of the agrarian industry which was widely held by French citizens and

---

<sup>52</sup> *Morocco - History*, 2009, <http://www.nationsencyclopedia.com/Africa/Morocco-HISTORY.html> (accessed 2010 йил 4-March).

<sup>53</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).



which constituted a large portion of Moroccan GDP. In practice, the plan was not implemented, and was used more as an effective scare tactic to bring the rural elite in line with King Mohammed V's wishes. The threat of looming nationalization by the government was enough to quiet many powerful opponents of the King and allow him to effectively govern.<sup>54</sup>

After Mohammed V's passing in 1961, his son Prince Moulay Hassan II succeeded Mohammed V to the throne. Hassan II publicly committed himself to the extensive government expropriations envisioned in the first development plan, however, privately he continued to use the threat of such an action as a bargaining chip. Even before his succession, the more liberal and elitist members of the Istiqlal party had broken off to form the Union National des Forces Populaires (UNFP) party in protest of the king's growing political power. In order to prevent additional unrest, Hassan II kept the rural elite in line by threatening to nationalize their land while garnering widespread public support for his threats from the anti-French rural poor.<sup>55</sup> These rural elites largely fell in line with the throne, and became some of Hassan II's most ardent defenders.

In the subsequent two economic plans, spanning the period between 1965 and 1972, several shifts occurred. Most importantly, at the World Bank's urging, Morocco began to make capital-intensive infrastructure investments in its agriculture industry. The so-called '20 dams for 2.5 irrigated million acres' policy has largely driven the development of Morocco's agriculture industry over the last 40 years, and is unquestionably responsible

---

<sup>54</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

<sup>55</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

for Morocco's agriculture strength today. One of the major goals of the plan was to drive food self-sufficiency, and today, Morocco is the one of the only nations in its region to be almost entirely food self-sufficient. However, as this shift in agriculture investment was occurring, Hassan II became increasingly concerned about his ability to maintain control over the country.

While Hassan II's economic plans were potentially laying the groundwork for future growth, he was unable to dramatically improve the economic landscape for Moroccans in the 1960s. The unequal wealth distribution that existed under colonialism only became worse under Hassan II's control. While the poorest Moroccans received less than they had under the French regime (the poorest 10% of Moroccans declined from 3.3 percent of total consumption to 1.2 percent), the vast majority of the country's wealth was now concentrated with the Moroccan elite rather than the French elite.<sup>56</sup> Worsening economic and political conditions led to two unsuccessful coup attempts. While Hassan II was very concerned with the leftist-UNFP, both coup attempts actually originated from King's own rightist-Istiqlal party. In the second attempt, the King's head general ordered his Boeing plane to be shot down as it returned from Paris. The King took control of the plane and decided to fake his own death via the radio. He then hid in the plane's rear compartment and was able to return back to his palace under the cover of night and re-assume control of the country. Both attempts drove Hassan II to further concentrate his power, and he began forcefully asserting his dominance in financial and industrial matters. To him, this meant

---

<sup>56</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

not only strengthening the role of the state in the business dealings of Moroccans, but also, it meant limiting foreign influence<sup>57</sup>.

### **The 'Moroccanization' of the Economy from 1973 to 1977**

Hassan II's newfound desire to centralize economic power gave rise to the 'Moroccanization' of the national economy. Whereas the economic master plan of 1960 that called for the nationalization and re-distribution of agriculture and industrial operations was not enacted, the 1973 to 1977 plan was implemented with great force. Hassan II endeavored to centralize wealth around him by taking direct ownership of various industries, such as Moroccan mines, railroads, and agriculture businesses and dairy companies, amongst others. At the same time, he wanted to create a new urban and rural middle class that would be economically connected to his state-owned companies, and not to other Moroccan elites, often who counted among his wealthy opponents. While Tunisia began its de-regulation and market-oriented open mentality in the mid 1970s, Morocco took a much more nuanced approach to encouraging outside investment. New rules were put in place that expropriated the land of elites (both foreign and Moroccan), and distributed the land to small landowners under the larger control of two state-run enterprises. In general, public ownership and import substitution were emphasized as the best way forward for the Moroccan economy.<sup>58</sup>

As part of the 1973 to 1977 economic plan, the ambiguity of the Moroccan government's economic approach became clear. Hassan II issued rules requiring all

---

<sup>57</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

<sup>58</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

corporations be at least 51% Moroccan owned, while at the same time lauding international investment as important. This apparent contradiction was explained by the King in saying that when “an enterprise establishes itself in a country, it should do so in the country’s interest.”<sup>51</sup> Nowhere was this desire to centralize his control over industry more evident than with the phosphate industry. Phosphates have been Morocco’s chief economic export since the 1950s, and Hassan II was intent on using phosphate revenue to further his public intervention into the economy. Under the King’s direction, all revenue from phosphate production was included in the national budget and utilized to further nationalize other industries, including the steel and cement sectors. While the economic realities of the Western Sahara will be addressed later, the pursuit of additional phosphate and oil resources have factored into Morocco’s desire to control the Western Sahara since the early 1970s<sup>59</sup>.

### **The Crises of 1979 – 1983**

Despite having solidified unprecedented economic control during the 1970s, Hassan II remained insecure in his role as King. In an effort to promote economic growth and help solve lingering unemployment issues, the King remained committed to using the government to help stimulate the economy in his 1979 to 1983 economic master plan. The proposals called for increased public investment in all economic areas, and helped lead to record government deficits. In just one decade of Moroccanization, the government had become so dependent on foreign borrowing that public external debt had soared from \$700

---

<sup>59</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

million U.S. in 1970 to \$10.5 billion in 1980.<sup>60</sup> Unfortunately, whatever returns might have been realized from government investments associated with this rise in debt were offset by several severe droughts and economic contraction associated with higher taxes. Morocco's economy continued to suffer under an increased debt load, soaring food costs related to the drought and reduced government assistance to private industry. Widespread anger erupted across the country sporadically from 1981 to 1983, with several violent protests resulting in hundreds of deaths. National troops were forced to fire onto crowds and arrest union and opposition leaders to maintain some semblance of peace. As the unrest threatened Hassan II's control, dwindling foreign reserves forced Morocco to restructure its now massive external debt burden. In exchange for debt forgiveness and restructuring, the World Bank required a new path, a new path that led to prosperity.

### **The 1983 Adjustment - The 'De-Moroccanization' of Morocco**

As part of the debt restructuring undertaken by the IMF and the World Bank, Morocco was required to make several sweeping economic adjustments. After extensive negotiations in 1983, Hassan II agreed to five main goals as part of this new initiative, often referred to as the 'De-Moroccanization' of Morocco. Of these five goals, the first and most important was currency devaluation and openness. By allowing the currency to "float" and devalue, Morocco moved away from the import substitution policies of the 1970s and made Moroccan exports cheaper, relative to the value of other foreign currencies. Secondly, with a new 'cheaper' currency, Morocco agreed to aggressively expand export opportunities by encouraging Moroccan companies to position their products for foreign markets. Thirdly,

---

<sup>60</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

Morocco agreed to strict budgetary guidelines, aiming to reduce the budget deficit by quickly scaling back subsidies for many industries, including the agriculture industry. Fourthly, Morocco agreed to leave interest rates at a high level for an extended period of time to help fight inflation. As previously noted, currency de-valuations are often tied with a major increase in inflation, as the same amount of currency now can purchase less goods, and prices rise. High interest rates help combat this problem by promoting saving and investment rather than consumption and spending. Fifth and finally, Hassan II agreed to dramatically reverse course, and consented to the privatization of state-owned companies.<sup>61</sup>

The immediate impact of these new policies was severe and generally negative for most Moroccans. Immediately following the currency devaluation in August 1983, consumer prices soared upwards of 30 percent. This was met with continued and widespread social unrest, unrest that resulted in hundreds of deaths and thousands of arrests. To Hassan II's credit, he stuck with the newly implemented policies long enough to allow the anti-inflationary policies to help restore economic and social order. Despite continuing public unease with his new direction, the King's government was able to curtail tariffs, reduce agricultural subsidies and promote export-oriented industries.

### **Long Term Impacts of the 'De-Moroccanization'**

In the larger context, while Hassan II's desire to solidify his personal power by enlarging his political base had delayed the implementation of real economic reform by

---

<sup>61</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

more than a decade. Once implemented, however, these reforms resulted in one of the quickest economic transformations in the 20<sup>th</sup> century. As previously noted, most advanced countries consider a budget deficit of over 3% unacceptable. Morocco was able to reduce their budget deficit from 12% in 1983 to less than 2% in 1993.<sup>62</sup> Several factors helped reduce the budget deficit, including lower interest payments tied to less external debt and increased revenues from new corporate and VAT taxes.<sup>63</sup> Throughout the late 1980s and early 1990s, foreign exchange earnings grew on a consistent basis, implying that Morocco began growing its exports faster than its imports. Inflation did calm as expected, hovering at a more reasonable 6% in the second half of the 1980s and onwards.<sup>64</sup> All of these factors combined to allow for a relatively robust 4% to 6% growth rate in GDP throughout the 1980s. This accomplishment marked the first time Morocco was able to actually achieve the projected economic growth rates published in each four-year economic master plan.

The remarkable economic advances throughout the 1980s and early 1990s have allowed the Moroccan economy to become more resilient to internal and external shocks. As a heavy agricultural producer, Morocco has historically been very susceptible to drought years. While this is still the case to some extent, Morocco's economic output is far more diversified because of the 1983 – 1987 economic master plan. The impact of this diversification can be seen in Morocco's export earnings from 1994. On the aggregate, only 70% of export earnings came from agriculture and phosphates combined. Areas that the

---

<sup>62</sup> Azzedine Layachi, *Economic Crisis and Political Change in North Africa* (London: Praeger, 1998).

<sup>63</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

<sup>64</sup> Azzedine Layachi, *Economic Crisis and Political Change in North Africa* (London: Praeger, 1998).

Moroccan government has aggressively privatized, such as the textile, apparel and shoe industries, accounted for 18% of Morocco's export earnings in 1995.<sup>65</sup> Export figures have continued to become more diversified, as long term planning has had its desired effects. Today, textiles and clothing represent 35% of export income, with agriculture registering at just 20% and phosphates at 17%.<sup>66</sup>

As the economic makeup of Morocco has shifted, so has the source of capital used to start new businesses. The government was widely seen as the only source of investment in the early 1980s, with foreign investment of just \$70 million in 1983. However, by 1996 foreign private investment reached \$700 million<sup>67</sup> and in 2003 it had soared to over \$4 billion dollars.<sup>68</sup> In order to attract this overseas investment, Morocco was forced to confront several other roadblocks to foreign investment, much like Tunisia. In turn, Morocco was forced to pass substantive financial regulation and to privatize and upgrade its telecommunication and power infrastructure. As previously noted, while Morocco lagged behind Tunisia in attracting FDI in the 1990s, this has changed over the last decade. Morocco has actually had the highest growth rate of FDI of its World Bank peer group.<sup>69</sup>

### **The European Union and Morocco**

---

<sup>65</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, NY: State University of New York, 2001).

<sup>66</sup> *E.U. Morocco Strategy Paper 2007 - 2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_morocco_en.pdf) (accessed 2010 йил 5-March).

<sup>67</sup> Azzedine Layachi, *Economic Crisis and Political Change in North Africa* (London: Praeger, 1998).

<sup>68</sup> *E.U. Morocco Strategy Paper 2007 - 2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_morocco_en.pdf) (accessed 2010 йил 5-March).

<sup>69</sup> World Bank, *Tunisia's Global Integration* (Washington: World Bank, 2009).



Before further examining the long term impacts of the 1983 shifts and the current economic makeup of Morocco, it is necessary to explore the role the European Union and the United States have played in Morocco's development. In a direct contrast with Tunisia, Hassan II's decision to pursue import substitution in the 1970s left the Moroccan – European Union relationship in difficult straits. Land from former European colonists was expropriated by the government and trade relationships and activities were generally curtailed. Perhaps realizing the error of his ways, Hassan II reversed course in 1976, signing the 1976 co-operation agreement, which provided additional European Union aid with the goal of reducing poverty and unemployment.<sup>70</sup> Under the agreement, Morocco received over one billion Euros for the aforementioned development over the 1980s and 1990s.

In 2000, Mohammed VI succeeded his father Hassan II, and under his new regime, the E.U. – Morocco Agreement was ratified with concrete tariff reduction goals for agriculture, industrial products and service-based products. The 2000 Agreement aimed to eliminate all tariffs over a 10-year period, starting in 2004. Under the agreement, Morocco quickly became the Union's largest beneficiary of the "E.U. Neighborhood Initiative," a program designed to financially support important E.U. trading partners. From 1995 to 2001 alone, the program funneled over one billion Euros in financial support for development and infrastructure.<sup>71</sup> The result of the 2000 Agreement has been an even

---

<sup>70</sup> Commission Staff Paper, *E.U. - Morocco Country Report*, 2004, [http://ec.europa.eu/world/enp/pdf/country/morocco\\_enp\\_country\\_report\\_2004\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/morocco_enp_country_report_2004_en.pdf) (accessed 2010 йил 3-March).

<sup>71</sup> Commission Staff Paper, *E.U. - Morocco Country Report*, 2004, [http://ec.europa.eu/world/enp/pdf/country/morocco\\_enp\\_country\\_report\\_2004\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/morocco_enp_country_report_2004_en.pdf) (accessed 2010 йил 3-March).

closer relationship with the European Union. In 2008, the Union went as far as to grant Morocco the title of “advance status,” making Morocco the first in the southern Mediterranean to achieve such a relationship. This new status is more than simply an accolade for Morocco; rather, it recognizes Morocco’s advancements in the economic, social and legal spheres and makes Morocco “more than a partner but less than a member of the European Union.” Because of the agreement, “Morocco will be able to attract more European investments and security co-operation will also likely see tangible results.”<sup>72</sup>

### **The United States and Morocco**

Unlike many of its North African peers, Morocco has strong economic and military relations with the United States. This relationship began when Morocco became the first nation to recognize the newly independent United States of America, in signing a treaty of friendship in 1777. More recently, the United States Morocco Free Trade Agreement was signed in 2004 and came into effect in 2006. The agreement eliminates 95% of tariffs between the two countries and provides U.S. assistance for the further development of the Moroccan trade infrastructure. Regardless of the treaty’s provisions, it is necessary to understand that in context, Morocco’s trade with the U.S. pales in comparison with that of the European Union. Only 3% of Moroccan exports are sent to the U.S. and Morocco imports only 5% of its goods from the United States.<sup>73</sup> From 2001 to 2008, only 5% of the FDI in Morocco was made by U.S. based firms, and those firms were nearly exclusively in

---

<sup>72</sup> Naoufel Cherkaoui, *EU grants "advanced status" to Morocco*, 2008 йил 10, [http://www.magharebia.com/cocoon/awi/xhtml1/en\\_GB/features/awi/features/2008/10/19/feature-01](http://www.magharebia.com/cocoon/awi/xhtml1/en_GB/features/awi/features/2008/10/19/feature-01) (accessed 2010 йил 4-March).

<sup>73</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

the movie production industry.<sup>74</sup> It remains to be seen if the U.S. will expand its economic interest in Morocco beyond this minimal level, but with an overall reduction in international exposure by firms in the U.S., it would seem unlikely in the near future. Morocco's willingness to work with the U.S. on military issues, including counter terrorism and international peacekeeping operations, likely helps fuel the perception of a stronger economic link. However, in reality, the U.S. is an important economic partner for Morocco, but U.S. involvement is relatively small in nearly all respects when compared with that of the European Union.

### **The Economy Today: Industry, Tourism and 'Offshoring' in Morocco**

In analyzing how all of the various reforms and relationships have come together to shape the modern Moroccan economy, it is fascinating to examine three shifting elements in Morocco: (1) its evolving industrial-agricultural complex, (2) its tourism industry and (3) the new 'offshoring' industry. As has been already noted, Moroccan industry and agriculture have successfully diversified, shifting away from an over reliance on food and phosphate exports and incorporating more industrial products, such as textiles. This effort has been complimented with a strong push to re-invent the Moroccan tourism industry, with a focus on higher income visitors and resort communities. Finally, the new 'offshoring' industry offers promise of higher paying jobs, as Morocco has leveraged its language competencies, and tried to position itself as the India-like outsourcing destination of the French-, Spanish- and Arabic-speaking world. The government has invested heavily

---

<sup>74</sup> Hassan Benabderrazik, "Capitalizing On The Morocco-US Free Trade Agreement," [http://www.piiie.com/publications/chapters\\_preview/4334/05iie4334.pdf](http://www.piiie.com/publications/chapters_preview/4334/05iie4334.pdf) (accessed 2010 йил 4-March).

in creating the telecommunication infrastructure necessary to allow global corporations to outsource call centers and other back office operations to Morocco.

### **A Closer Look: The Shifting Face of Industry, Agriculture and Phosphates**

As previously noted, Morocco has reduced its economic reliance on agriculture and phosphates. In 1995, agriculture represented 30% of export income and phosphates represented 35%, with manufacturing and textiles at 18%.<sup>75</sup> Today, those figures have nearly reversed, with manufacturing and textiles at 35%, agriculture at 20% and phosphates at just 17%.<sup>76</sup> Manufacturing and textile exports tend to be less prone to dramatic changes in price or demand, when compared to agriculture or commodities exports.

Regardless of this diversification, agriculture and fishing remain very important Moroccan industries. The ebb and flow of weather patterns still dramatically impact Moroccan GDP. Despite only representing 20% of export income today, agriculture continues to employ over 40% of the adult Moroccan population. One of the few positive remnants from the 1960s is the '20 dams and 2.5 million acres' plan that has largely come to pass, with over three million irrigated acres of farmland in 2007.<sup>77</sup> Moroccan farmers, small and large, have been able to diversify their products, from the traditional barley and wheat production to more exotic agriculture items such as citrus, grapes, and even cotton

---

<sup>75</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

<sup>76</sup> *E.U. Morocco Strategy Paper 2007 - 2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_morocco_en.pdf) (accessed 2010 йил 5-March).

<sup>77</sup> Azzedine Layachi, *Economic Crisis and Political Change in North Africa* (London: Praeger, 1998).

in some areas. Morocco has also relied heavily on its extensive fisheries to help bolster exports, supplying up to 16% of European fish. As increased irrigation and technology have propagated, agricultural unemployment has driven many local farmers to participate in the illicit drug trade. Combating this trend and ensuring alternative employment opportunities are available is a key priority of the aforementioned Morocco-E.U. alliance.<sup>78</sup>

As the agriculture mix in Morocco has shifted, so has the importance of the phosphate industry. While Morocco likely has upwards of 50% of the world's phosphate reserves, the value of those phosphates has declined steeply during the 2008 and 2009 recession. In relation to the agriculture industry that generates 20% of export income but 40% of employment, the phosphate industry generates 17% of export income but only 2% of employment. Fortunately, because Morocco has diversified to some extent through the textile and clothing industry, the impact of the commodities price decline on Morocco's GDP was less severe than it could have otherwise been. Textiles, clothing and shoes now constitute over 40% of trade with the European Union, and the Moroccan government has succeeded in incentivizing the creation of many smaller start-up operations with tax rebates and capital infusions.<sup>79</sup> One of the key hopes of the monarch and the European Union is that these smaller operations will succeed in improving urban unemployment.

### **A Closer Look: Tourism in Morocco**

---

<sup>78</sup> Azzedine Layachi, *Economic Crisis and Political Change in North Africa* (London: Praeger, 1998).

<sup>79</sup> *E.U. Morocco Strategy Paper 2007 - 2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_morocco_en.pdf) (accessed 2010 йил 5-March).

An emphasis on tourism is not necessarily noteworthy for a Mediterranean state such as Morocco. However, Morocco's ability to dynamically re-shape and invigorate its tourism industry over the last 5 to 10 years is noteworthy. Morocco has forged a path towards what they label "Vision 2010," an ambitious undertaking designed to attract 10 million tourists in the year 2010, up from 8 million in 2008. In order to accomplish this impressive task, Mohammed VI is aggressively pushing the expansion of available hotel and resort attractions, with a goal of creating 150,000 new tourist beds and adding some 600,000 jobs.<sup>80</sup> Mohammed VI's master plan involves several components, including the development of exclusive coastal resorts, the signing of an open skies agreement to promote low cost airline services and the improvement of road and train networks.

The six coastal resort under development are intended to be exclusive planned communities, with residential and hotel accommodations. They are targeted towards European and American investors and tourists. Because of new open skies treaties, these communities are now far easier to reach. Mohammed VI has successfully increased the number of direct flights from the European Union by a factor of nearly three times since 2005. Ryanair, EasyJet and other low cost airlines have begun offering direct flights from many European capitals to many resort destinations, such as Marrakech, Fez and the coastal town of Essaouira. These regional airports, which used to only receive domestic transfers from Casablanca, have been upgraded to support a larger inflow of tourists. To complement cheaper and more frequent air access to these tourist friendly cities, Morocco is investing in expanding its highway infrastructure and high-speed rail connections in

---

<sup>80</sup> *Morocco's Vision 2010 Program - Morocco Investment Brief*, 2007, <http://www.essentialmorocco.com/investment-brief-for-morocco.html> (accessed 2010 йил 24-February).

order to facilitate easy travel once in Morocco.<sup>81</sup> While it is not yet clear whether Morocco will hit 10 million visitors in 2010, 2009 tourism figures were up nearly 20% from 2008 alone.<sup>82</sup> This extensive investment under Mohammed VI's guidance certainly appears to be bearing fruit.

### **A Closer Look: Offshoring and the Knowledge Industry in Morocco**

While Mohammed VI's efforts to reform and improve the Moroccan tourism sector have received near-universal praise, his efforts to expand into language-specific offshoring deserve equal praise and analysis. As part of his 2006 economic plan, Mohammed VI earmarked government funds for the development of the offshoring sector in Morocco. By the end of 2007, Morocco had successfully attracted roughly half of all French-speaking call centers and numerous Spanish-speaking call centers. According to a North African Times Article, "In 2007 the country had about 200 call centers, including 30 of significant size, that employ a total of over 18,000 people." Morocco is an attractive destination for such offshoring because it not only offers diverse language experience with French, Spanish and Arabic, but also because of its developed telecommunications infrastructure and its relatively cheap pool of labor. The government has essentially subsidized the creation of ready-to-go modern office spaces near Casablanca in the CasaNearShore office park. The government subsidizes training for new employees. While many English-based companies have already offshored their customer service call centers, this concept is still a relatively

---

<sup>81</sup> *Morocco's Vision 2010 Program - Morocco Investment Brief*, 2007, <http://www.essentialmorocco.com/investment-brief-for-morocco.html> (accessed 2010 йил 24-February).

<sup>82</sup> *Morocco confirms large growth in tourism*, 2009 йил September, <http://www.afrol.com/articles/13862>.

new approach for French companies. Morocco believes that the country is well positioned to capture more of the French offshoring market share as Francophone companies decide to embrace the cost saving potential associate with this move.<sup>83</sup> Algeria has taken note of Morocco's success in this field, and has begun to implement a similar move towards opening call centers. It remains to be seen however, given Morocco's head start, if Algeria can capture a significant portion of the market share.

The offshoring industry is indicative of perhaps a major divide in the way Morocco and Tunisia have gone about encouraging the creation of a knowledge industry. While Tunisia has focused on creating high value, high paying jobs in advanced industries such as finance or mechanical engineering, Morocco has focused more on placing university graduates in fields such as offshoring services, as described above. While there are a growing number of native Moroccans who are becoming involved in advanced research and development, the overall education and literacy rates in Morocco are significantly lower than in Tunisia. There is also a much lower rate of secondary and tertiary school enrollment.<sup>84</sup> These trends are indicative of a larger attitude distinction between the two nations, and the method they have employed in creating employment opportunities for their college graduates.

### **Women in the Moroccan Economy**

While a strong effort has been made over the last decade to be more inclusive of women in various spheres, Morocco's economy is still dominated by males in most

---

<sup>83</sup> Anouar Atmani, "Morocco Offshoring Strategy," *North Africa Times*, 2007 йил November, <http://www.alarab.co.uk/Previouspages/North%20Africa%20Times/2007/11/04-11/NAT090411.pdf> (accessed 2010 йил 5-March).

<sup>84</sup> Ahmed Driouchi, *Introduction To The Knowledge Economy In Morocco* (2004).



instances. Recent figures would imply that there is nowhere near parity in the rates of men and women enrolling in primary or secondary education, with 99.9% of males enrolled in primary education and just 84.5% of females.<sup>85</sup> In an encouraging sign, recent figures have shown that female school enrollment has increased dramatically (from just 65% in 1990 to 85% in 1996). One further positive sign is that in Morocco, the male-female gap at each of the three levels of schooling is narrowing. Perhaps more so than Tunisia, Morocco continues to suffer from an urban and rural divide, with sharply contrasting opportunities available to women in each setting. Rural women are far more likely to be under-educated, under-employed and illiterate.<sup>86</sup> Lack of educational opportunities certainly seem to have a direct effect on the number of women in the Moroccan work place and the nature of their employment. Relative to Tunisia, women in Morocco are far more likely to work in community-based positions or be unemployed, with the most recent unemployment measurements reaching 40% for women. One positive sign of the general direction of Moroccan sentiment towards women occurred in 2004, with the passing of the “Moudawana” or Morocco’s new family code. While the code did not directly address women in the workplace, it did attempt to promote more equitable marriages, predicated on the adoption of more equitable treatment than Sharia law. Women were granted equal custody rights of children, the right of female-initiated divorce and the right of alimony after divorce.<sup>87</sup> Such steps, while seemingly small by western standards, could indicate a general shift towards further integration of women into the larger Moroccan economy.

---

<sup>85</sup> Ahmed Driouchi, *Introduction To The Knowledge Economy In Morocco* (2004).

<sup>86</sup> Valentine M. Moghadam, *Women, Work, and Economic Reform in the Middle East and North Africa* (Lynne Rienner Publishers, 1998).

<sup>87</sup> Hakima Fassi-Fihri, *Perspectives: Morocco's family code, 5 years later*, 2009, <http://www.commongroundnews.org/article.php?id=25395&lan=en&sid=1&sp=0> (accessed 2010 4-March).

However, it remains to be seen if Morocco has a similar appetite for equally as transformational legislation regarding women in the workplace.

### **Illicit Trade In Morocco: Drugs and Fossils**

Morocco's success in creating new industries and in lowering unemployment has helped in diminishing the economic importance of several illicit marketplaces, such as drugs and fossils. As a recent report suggested: "in northern Morocco lurks a key challenge to the Moroccan state: a potent mix of discontent, drugs, organized political opposition and religion. Morocco's drug barons have steadily made themselves into a serious crime problem and security threat, and also major players in the Moroccan political system."<sup>88</sup> In the northern regions of the country, the drug lords and the Islamic fundamentalists have formed an alliance of-sort to challenge the legitimacy of the monarchy. As the report notes: "The drug barons and the Islamists in the north draw upon the same group of discontented poor, creating possible alliances, sharing of resources and tactics. A confluence of these forces could shake the state to its core."<sup>89</sup> As the world's largest hashish producer, many who cannot find legitimate employment in the north turn to working in the drug trade. There is only a short distance between Morocco and northern Spain and it is easily traversed by boat. Policing this region and shutting down the illicit drug trafficking that currently takes place is a key priority of the E.U. – Moroccan alliance. As has been experienced in Mexico and elsewhere, as crack-downs on the drug trade have been more and more successful, the cartels and smugglers have shifted to other forms of illegal

---

<sup>88</sup> James Ketterer, *Networks of Discontent in Northern Morocco: Drugs, Opposition and Urban Unrest*, [http://www.merip.org/mer/mer218/218\\_ketterer.html](http://www.merip.org/mer/mer218/218_ketterer.html) (accessed 2010 4-March).

<sup>89</sup> James Ketterer, *Networks of Discontent in Northern Morocco: Drugs, Opposition and Urban Unrest*, [http://www.merip.org/mer/mer218/218\\_ketterer.html](http://www.merip.org/mer/mer218/218_ketterer.html) (accessed 2010 4-March).

activity, such as human smuggling, to compensate for lost profits. Many in the West question Mohammed VI's commitment to truly ending this illegal activity. Many analysts speculate that the king is unwilling to expend political capital by attacking northern drug producers out of the fear that they might incite greater resistance against the throne.

Beyond the drug trade, Morocco is now one of the world's largest fossil exporters. While the industry is not considered as large a legal issue as the drug trade, it is widely condemned by Western scientists as exploitation and less than ethical. Like the drug trade, many Moroccans are forced to work in illicit fossil exportation for lack of other more viable employment opportunities. According to one Saudi Aramco report, "more than 50,000 Moroccans earn their livelihoods in the fossil and mineral specimen mining and export business." The industry supplies nearly \$40 million of income per year to Moroccans who are able to covertly export their findings to Europe, the U.S., Japan and Australia. Much of the profit from the fossil findings goes to middlemen and transporters who are able to smuggle the specimens outside of Morocco<sup>90</sup>.

### **The Economic Dilemmas Associated With The Western Sahara**

The Western Sahara has long posed many sensitive political and economic issues for Morocco's leaders. After Spain's withdrawal in the 1960s, Moroccan monarchs have been locked in an economically costly and politically sensitive battle (and sometimes war) with the liberation movement known as the Polisario front. During the 1970s and at the peak of Hassan II's Moroccanization, it was estimated that Morocco was spending up to 30% of the

---

<sup>90</sup> Dr. Andrew A. Sicree, *Morocco's Trilobite Economy*, 2009 йил April, <http://www.saudiaramcoworld.com/issue/200902/morocco.s.trilobite.economy.htm> (accessed 2010 2-March).

countries GDP on its war with the Polisario fighters.<sup>91</sup> Since the U.N. brokered peace treaty in 1991, Morocco has controlled nearly all of the inhabited portions of the Western Sahara. Under Mohammed VI's rule, Morocco has refused to grant the roughly 500,000 citizens of the Western Sahara the right to a constitutional referendum on independence, claiming an inalienable right to the territory. The dispute over the Western Sahara generated significant negative publicity within the European Union during the advanced status negotiation efforts. Supporters of an independent Western Sahara state argued that simply apologizing for atrocities committed by the Moroccan government as part of the wars in the 1970s and 1980s was not sufficient, and that Mohammed VI should be forced to allow a constitutional referendum in determining Western Sahara's future.<sup>92</sup>

While the continued expenses associated with the defense of the territory remain high, potential sources of revenue for the Moroccan government have manifested themselves in the form of oil reserves in the Western Sahara. Morocco has granted permits for several companies to explore and exploit oil within the region. However, after the U.N. called into question the legality of such agreements, many of the companies involved, including Total S.A. of France, have halted exploratory efforts.<sup>93</sup>

### **Capitalist Progress With Little Democratic Reform**

---

<sup>91</sup> Gregory White, *A Comparative Political Economy of Tunisia and Morocco* (Albany, Ny: State University of New York, 2001).

<sup>92</sup> Naoufel Cherkaoui, *EU grants "advanced status" to Morocco*, 2008 йил 10, [http://www.magharebia.com/cocoon/awi/xhtml1/en\\_GB/features/awi/features/2008/10/19/feature-01](http://www.magharebia.com/cocoon/awi/xhtml1/en_GB/features/awi/features/2008/10/19/feature-01) (accessed 2010 4-March).

<sup>93</sup> U.N. Security Council, "The status of Western Sahara under Moroccan administration," 2002, <http://www.undemocracy.com/S-2002-161> (accessed February 20, 2010).

Like Tunisia, Morocco has managed to implement an extremely strong, export-oriented economy while nearly entirely avoiding democratic reforms to the political system. Once again, this fact and Morocco's remarkable economic growth and transformation over the last 20 years calls into question the transformative nature of capitalism in encouraging democratic systems. Unlike Tunisia, Morocco is generally more tolerant of political dissent, and a wide variety of more-or-less uncensored opinions are openly aired through dissident newspapers. That established, even Morocco has its limits, and open debate over the future of the Western Sahara territory, the legitimacy of the monarchy or of the role of Islam within Morocco are rarely tolerated. For comparison, the same democracy rankings that place Tunisia at 141<sup>st</sup> in the world place Morocco 120<sup>th</sup> for democratic openness.<sup>94</sup>

While the constitution does still recognize the king as the supreme, divinely sanctioned ruler, certain, more incremental reforms have been implemented in the Parliamentary system. The opposition parties are now allowed to nominate the Prime Minister, providing they win a majority of the parliament's seats. This occurred in 1997. Laws can now originate in the parliament as well, however the king has the ultimate authority to accept or reject any such law within 30 days.<sup>95</sup> As is the case in Tunisia, most international monitoring groups regard these developments as less than adequate.

---

<sup>94</sup> 2008 *Democracy Index*, 2009,  
<http://a330.g.akamai.net/7/330/25828/20081021185552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf> (accessed 2010 йил 20-February).

<sup>95</sup> Azzedine Layachi, *Economic Crisis and Political Change in North Africa* (London: Praeger, 1998).

What is perhaps more interesting about the state of democratic reform in Morocco, vis-à-vis Tunisia, is the way in which Mohammed VI remains sandwiched between conservative and liberal forces, much as his father Hassan II was in the early 1970s. Mohammed VI's successes in driving innovative economic development in many sectors, such as offshoring and tourism, have not quieted critics on either end of the Moroccan political spectrum. The more liberal elements within Morocco frequently criticize the very existence of a monarch and espouse the need for democracy. The incremental steps towards democratic reform can be seen as attempts by the king to at least appease these members of the liberal elite. From the other side, however, Mohammed VI has been careful not to ignore the danger posed by ultra-conservative religious extremists. Such extremists have used Mohammed VI's willingness to pass the Moudawana and his acceptance of western film festivals and concerts as evidence that the king is not Islamic enough. In general, these conservative critics have called for an implementation of strict Sharia law and the disposal of the king. It remains to be seen if Mohammed VI can continue navigating the fine balance between these two groups. However, strong continued stewardship of the economy can only serve to strengthen his position within the wallets, and thus, by proxy within the hearts and minds of most Moroccans.

### **Morocco: The Further Down An Economy Goes, The Further Up It *Can* Grow**

As previously stated, Moroccan economic stewardship can be thought of as a V, with economic deterioration from post-independence through the 1970s and rapid economic improvement from 1983 onwards. Unlike Tunisia that quickly turned away from its socialist experiment, the unique power dynamics of Morocco drove Hassan II to embrace

Moroccanization. In an effort to centralize power, Hassan II nationalized many private companies and made the government the central source of investment. The resulting economy was highly dependent on agricultural and phosphate exports, and in the late 1970s, as droughts set in and phosphate prices fell, the government was forced to borrow increasingly burdensome amounts from abroad to finance its sprawling operations.

In an effort to avoid default, Hassan II wisely accepted a reversal of course in the early 1980s in connection with a bailout package from the IMF and the World Bank. By accepting this package, Hassan embraced de-Moroccanization. In due course, he was forced to de-value the currency, orient the economy to be more export friendly and divest nearly all of his state-owned assets. While the short-term effects of this shift were undoubtedly painful and controversial, the long-term impact cannot be questioned. Morocco received a warm welcome from the European Union and other trading partners, and throughout the 1990s, a growth in variety of exports has helped fuel stable economic growth.

This growth and stability has afforded Mohammed VI the privilege of aggressively pursuing opportunities in new sectors. He has been able to diversify the tourism industry, by promoting low cost air access from Europe with the implementation of his Open Skies agreement. He has matched this diversification into tourism with an equally exciting investment in Morocco's offshoring capacities, leveraging Morocco's linguistic talent base and cheap labor pool to create new employment and business opportunities.

While exciting, these new directions and developments exist alongside potentially troubling issues for future growth. Many of these possible roadblocks, including the lackluster commitment to education and literacy, the unresolved future of the Western

Sahara, the difficulty in integrating women into the Moroccan economy and the lack of democratic reforms certainly present challenges. However, to this point, these difficulties have not prevented robust economic development and prudent economic planning. Even in 2009, when most of the world experienced GDP contraction, Morocco managed to grow GDP by over 2%. Granted, the 2009 GDP growth rate of 2% was far less than the approximately 6% experienced in 2008, however, Morocco was still able to weather the global storm. Because the Moroccan economy is more diversified today, robust demand for tourism and strong agricultural performance helped offset the decline in phosphate demand and European appetite for manufactured goods. Outside investment has continued to experience growth as part of Mohammed VI's master plan. This outside investment has not only helped encourage exports, but those exports have generated substantial foreign currency reserves for Morocco, allowing Morocco to aggressively pay down its debt. Outstanding foreign debt was 65% of GDP in 1999, and only 35% of GDP in 2005<sup>96</sup> - a remarkable improvement. Unemployment, while higher in urban and less educated areas, was officially recorded at 9% in 2009, an all time low for Morocco.<sup>97</sup>

In the end, the above results from 2009 can only help validate Morocco's long-term economic path. Even in the most turbulent of times, Morocco's more diversified and resilient economy was able to withstand and even grow through one of the most severe recessions in modern times. As Mohammed VI enters his second decade on the throne, it remains to be seen if he can navigate the challenges ahead as adeptly as he has promoted

---

<sup>96</sup> *E.U. Morocco Strategy Paper 2007 - 2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_morocco_en.pdf) (accessed 2010 йил 5-March).

<sup>97</sup> *CIA World Factbook - Morocco*, 2010, <https://www.cia.gov/library/publications/the-world-factbook/geos/mo.html> (accessed 2010 4-March).



sustainable growth over the last decade. However, if past results are any indication of future performance, one would be ill advised to bet against him.

## SIMILARITIES & DIFFERENCES IN TUNISIA & MOROCCO'S PROGRESSIONS

In reviewing the economic development of Morocco and Tunisia, several interesting similarities and differences emerge. At the core, both countries were able to modernize their economies with the help of outside institutions by promoting export-oriented goods and services and by employing consistent and economically prudent leadership. Both countries were colonized by the French and transitioned to relatively peaceful post-independence governance. However, Morocco is considerably larger from a population and land-area perspective than Tunisia. Morocco is larger than the state of California and has a population that exceeds 30 million. Conversely, Tunisia has a population of just over ten million and is only slightly larger than the state of Georgia. Morocco's larger size has given rise to political governance issues that certainly have had economic impacts, such as the Western Sahara conflict discussed at length above. Tunisia has avoided such problems. These geographical differences notwithstanding, the common colonial and post-independence governance structures facilitate the ability to compare both countries' economic modernization.

### **Transition to Independence**

Tunisia was colonized in 1880 and transitioned to independence in 1956 with the election of President Bourguiba. For his first twenty years in office, Bourguiba implemented socialist economic policies, supporting wide-spread nationalization and import substitution. Although he faced some resistance from private industry, socialist policies prevailed until 1973 when the World Bank forced Bourguiba to change course and implement a market-friendly export oriented approach. To his credit, he was able to make

the transition relatively smoothly and began to privatize various industries. The government, however, did remain involved in the planning of Tunisian industrial development by deploying subsidies and tax breaks for various regions and sectors.

As previously noted, Morocco's shorter colonial period, from 1912 to 1956, led to less of an infrastructural investment by the French and Spanish. When Sultan Mohammed V took the throne in 1956, he was faced with divisions between the agrarian elites and developing urban class. Like President Bourguiba, he opted for a strict nationalization and socialist-oriented economic path, and used the threat of governmental expropriations to keep various political opponents repressed. However, these policies failed to produce any meaningful economic growth. In an attempt to turn around the situation, Hassan II opted to double-down on the nationalistic policies of his father with Moroccanization or the nationalization of entire economic sectors in 1973. As Bourguiba was finally guiding Tunisia to a market-friendly system, Hassan II opted to take the Moroccan economy in the exact opposite direction. Under his watch, the central government issued extensive amounts of foreign debt in order to purchase large stakes in private industry. While this policy failed to generate economic growth and job creation, it did drive up the foreign debt burden of the Moroccan government. With rising and unsupportable debt service requirements, Hassan II was finally forced to correct course in 1983. The World Bank and other foreign institutions refused to help address Morocco's burgeoning debt problem until Hassan II agreed to implement a market driven economic system. If today, Tunisia might be considered more advanced in certain economic areas, one could certainly attribute this to Tunisia's ten year head start in developing a market friendly economy.

### **Adopting Export Orientation and a Market-Friendly Mentality**

Tunisia moved to a more market-friendly system in 1973, with ambitious goals of reaching 6% economic growth relatively rapidly. Bourguiba was able to achieve this by privatizing light industries and abolishing outside investment restrictions and prohibitive tariffs. As Tunisia joined GATT and the WTO as a founding member, the viability of export oriented goods and services increased exponentially. Ben Ali's policies from 1987 onwards have accelerated this growth substantially, with increased investment in agriculture and internal infrastructure.

In Morocco, it was not until the 1983 period of De-Moroccanization that similar policies began to take hold. In quick order, Hassan II was able to devalue and float the currency, position products for export, reduce the government deficit, keep interest rates high to combat inflation, and privatize almost all of the companies he had nationalized over the prior ten year period.

Both countries followed a strict path towards economic liberalization as promoted by the World Bank and other foreign partners. This path involved winding down governmental spending and deficits by reducing the state's direct ownership of industry while at the same time removing tariffs and barriers to external trade. In the ten years following the implementation of this approach, both countries experienced remarkably similar benefits, including reduced deficits, stable growth and inflation, and rising exports. Eventually, this even translated into dramatically higher foreign direct investment.

### **Building Internal Infrastructure**

In order to attract this additional foreign direct investment, both nations had to focus on reforming and building internal infrastructure. Both nations had to dramatically reduce their budget deficits in order to comply with the demands of foreign lenders. Both reformed their tax laws and corporate registration policies. For Tunisia, this meant simplifying the tax code by removing regional discrepancies and it meant reforming the banking sector to increase transparency and confidence in the system.

One of the largest investments both nations have made is in their internal agricultural infrastructures. As discussed, Morocco has steadfastly adhered to Hassan II's dam and irrigation projects, and this has allowed for a more diversified and wide-spread agricultural industry. Similar efforts have been very successful in Tunisia, and have resulted in food self-sufficiency and less volatility in food cultivation and exports. These agricultural infrastructural investments have been mirrored on a larger scale by general investments in the transportation and telecommunications networks. Morocco, in particular, has realized the value of a fully modernized telecommunication and transportation network in attracting foreign investment. Both nations efforts in cultivating stronger internal infrastructure have been remarkable similar and successful over the last twenty years and have unquestionably contributed to economic growth.

### **Fostering Foreign Relationships**

Leveraging foreign relationships has allowed both nations to diversify their economic growth opportunities. Both Morocco and Tunisia enjoy very strong connections to the European Union and have benefited from numerous ground-breaking agreements. Tunisia was the first country to fully complete the process of tariff reductions with the E.U.

as part of the neighborhood policies adopted in the earlier part of this decade. Tunisia is officially recognized as a preferred trading partner with the E.U., which gives Tunisian companies access to economic support and additional markets in which to sell their goods. With Morocco's ascension to 'advanced status' in 2009, many European Union members have advocated moving Tunisia along a similar path. In debate amongst the E.U. Commission as recently as January, 2010, it seemed likely that support existed to name Tunisia the E.U.'s second advanced status partner.<sup>98</sup>

Both nations have vied for increasing European Union support and both have attempted to increase their exports to Union countries. Morocco would proudly point to its designation as an advanced status partner as evidence that its relationship with the E.U. is as strong as or stronger than that between the E.U. and Tunisia. Some could counter however, that the advanced status relationship is as much about collaboration on the ever-important war on Morocco's illicit drug trade as it is about deepening already broad economic ties. Morocco also benefits from a strategically significant alliance with the United States; however this alliance, perhaps like the advanced status recognition, focuses on international security policy and has a far less important impact on Moroccan exports.

### **Diversifying the Economy, Supporting New Industries and Integrating Women**

In looking at the above analysis of the changing nature of both the Tunisian and Moroccan economies, it is clear that both are significantly more diversified today than they were at any time over the last 20 years. The importance of tourism to both countries

---

<sup>98</sup> European Parliament Debates, *EU-Tunisia relations*, 2010 йил 21-January, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20100121+ITEM-002+DOC+XML+V0//EN> (accessed 2010 йил 24-March).

cannot be understated. Much of the infrastructural investments that Tunisia and Morocco have undertaken over the last ten years have served to further increase tourism and the type of tourists both attract. Both countries are aggressively seeking to increase tourist spending by offering more liberalized air service connections to Europe, more luxurious accommodations and more niche-specific options, like eco-tourism.

Beyond Tourism, for Tunisia, embracing textiles and value-added engineering that leverages Tunisia's superior educational system has been essential in moving away from reliance on fuel exports. Tunisia has also supported growth in its financial sector by utilizing banking code reforms to encourage international financial enterprises to locate and transact in Tunisia.

Morocco, on the other hand, has diversified away from phosphates and agriculture by focusing on textiles, leather and offshoring services. While offshoring services have provided quality jobs to college graduates, Morocco has not expanded its knowledge-based industry as aggressively as Tunisia. Recently, economic development authorities in Morocco have begun to discuss this discrepancy and it seems that the government is intent on correcting course in the future. Knowledge-based employment is not only amongst the most lucrative types of work for individuals, but it also generates significant investment and creates peripheral employment opportunities for others. Tunisia has embraced this approach, and it will be interesting to see if Morocco continues to emphasize offshoring solutions or if the government actively encourages more advanced industries and services.

Beyond the creation of knowledge-based employment opportunities, Tunisia and Morocco have strongly differed in their abilities to integrate women into the workplace.

Recent European Union debate regarding Tunisia's potential advanced status recognition universally lauded the country for its ability to integrate women in the educational, professional and governmental spheres. By contrast and as illustrated above, women in Morocco are less likely to be educated at a primary and secondary level and are more likely to be unemployed than men. Morocco has made strides to close this gap, but women are still confined by more traditional views. An example of progress in Morocco came with the revised family codes, but these codes reflect changing attitudes towards family life and not a changing work place. There is still substantial room for Morocco to improve and reach the level of integration that Tunisia has currently achieved.

### **Lack of Democratic Reforms**

Another similarity of importance is in each countries lack of democratic reforms. Tunisians political dissidents face severe consequences and elections are forged and entirely illegitimate. Moroccans have more political freedoms and dissent against the monarch is permitted, if only in a muted and controlled fashion. Morocco does have a legitimately elected parliament. However, the parliament still requires the approval of the King to pass legislation. Morocco's Kings have for the last 50 years managed to closely thread the political middle-ground in maintaining control over the country. With present threats from both sides, religious extremists and Democracy-supporting liberal elites, it looks likely that this will have to continue into the future.

In the context of this analysis, one could credibly argue that the continuity of governance has unquestionably contributed to the economic development of each nation. Both President Ben Ali and King Mohamed VI have researched, written and implemented



several economic plans, like their respective predecessors. These plans have had specific goals and have resulted in quantifiable economic growth. They have driven the creation or improvement of new sectors within each respective country. Trading partners and outside development organizations, like the European Union and the World Bank, have largely overlooked the lack of Democratic reforms, choosing instead to support the economic development of both Tunisia and Morocco. Many members of the E.U. Commission lamented that Tunisia was not making any real efforts to achieve Democratic reforms in the aforementioned January debates, but almost all of those commissioners went on to endorse the viability of Tunisia's pending advanced status application.<sup>99</sup>

### **Best of Times from the Worst of Times**

For Tunisia and Morocco, it truly has become the best of times from the most turbulent of times. It has become an age of prosperity, an age of development -- from the winters of despair; both countries have emerged into a spring of hope. Prudent economic planning has allowed each country to implement a market-driven export oriented economy that has benefited their citizens. As exports have generated income and deficits have been reduced, both countries have reformed their internal infrastructures and attracted significant foreign direct investment. Today, both Morocco and Tunisia enjoy strong connections to the European Union and to other trading partners, like the United States. They boast more diversified economies and hope to continue stable growth by embracing tourism, off shoring and knowledge-driven employment. Ms. Leila Khaiat and Mr. B.

---

<sup>99</sup> European Parliament Debates, *EU-Tunisia relations*, 2010 йил 21-January, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20100121+ITEM-002+DOC+XML+V0//EN> (accessed 2010 йил 24-March).

Abdelaziz, discussed in the introduction, are microcosms of the new opportunities that exist for so many Moroccans and Tunisians. These opportunities leverage globally connected enterprises and have allowed both Tunisia and Morocco to transition to comfortably middle class nations. The transformational effects of Moroccan and Tunisian economic policies over the last thirty years have been remarkable and are hard to overstate. Challenges lie ahead, such as confronting gender inequality, unequal economic distribution, and the eventual need for democratic reform. However, these challenges have not impeded the economic success stories of either country to this point, and there is little reason to believe that will change any time soon.

## Works Cited

*2008 Democracy Index*. 2009.

<http://a330.g.akamai.net/7/330/25828/20081021185552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf> (accessed 2010 20-February).

*Agradir Agreement(2004) Bilateral Agreements*. 2005.

[http://www.bilaterals.org/article.php3?id\\_article=2513](http://www.bilaterals.org/article.php3?id_article=2513) (accessed 2010 20-January).

Arab Human Development Reports, UN. "Arab Women Entrepreneurs: A Growing Economic Force." 2005. <http://www.arab-hdr.org/publications/other/ahdr/papers/2005/hijab.pdf> (accessed 2010 March).

Atento. *Atento Morocco opens its fifth contact center in Meknes*. 2009 May.

[http://www.atento.com/content/new\\_contactcenter\\_morocco\\_en.mmp](http://www.atento.com/content/new_contactcenter_morocco_en.mmp) (accessed 2010 20-March).

Atmani, Anouar. "Morocco Offshoring Strategy." *North Africa Times*. 2007 November.

<http://www.alarab.co.uk/Previouspages/North%20Africa%20Times/2007/11/04-11/NAT090411.pdf> (accessed 2010 5-March).

Benabderrazik, Hassan. "Capitalizing On The Morocco-US Free Trade Agreement."

[http://www.piie.com/publications/chapters\\_preview/4334/05iie4334.pdf](http://www.piie.com/publications/chapters_preview/4334/05iie4334.pdf) (accessed 2010 4-March).

Bouamoud, Mohamed. *Radioscopie du tourisme tunisien 2003-2006*. 2006.

<http://www.webmanagercenter.com/management/article.php?id=35380> (accessed 2010 21-February).

Cherkaoui, Naoufel. *EU grants "advanced status" to Morocco*. 2008 10.

[http://www.magharebia.com/cocoon/awi/xhtml1/en\\_GB/features/awi/features/2008/10/19/feature-01](http://www.magharebia.com/cocoon/awi/xhtml1/en_GB/features/awi/features/2008/10/19/feature-01) (accessed 2010 4-March).

*CIA World Fact Book - Tunisia*. 2010.

<https://www.cia.gov/cia/publications/factbook/geos/ts.html> (accessed 2010 23-January).

*CIA World Factbook - Morocco*. 2010. <https://www.cia.gov/library/publications/the-world-factbook/geos/mo.html> (accessed 2010 4-March).

Commission Staff Paper. *E.U. - Morocco Country Report*. 2004.

[http://ec.europa.eu/world/enp/pdf/country/morocco\\_enp\\_country\\_report\\_2004\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/morocco_enp_country_report_2004_en.pdf) (accessed 2010 3-March).

Council, U.N. Security. "The status of Western Sahara under Moroccan administration."

2002. <http://www.undemocracy.com/S-2002-161> (accessed February 20, 2010).

Driouchi, Ahmed. *Introduction To The Knowledge Economy In Morocco*. 2004.

*E.U. Morocco Strategy Paper 2007 - 2013.*

[http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_morocco\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_morocco_en.pdf) (accessed 2010 5-March).

Encyclopædia Britannica Online. *Tunisia*. 2009. <http://www.search.eb.com/eb/article-46620> (accessed 2010 20-January).

*Enemies of The Internet Named*. 2006. <http://news.bbc.co.uk/2/hi/6124420.stm> (accessed 2010 20-January).

European Parliament Debates. *EU-Tunisia relations*. 2010 21-January.

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20100121+ITEM-002+DOC+XML+V0//EN> (accessed 2010 24-March).

Fassi-Fihri, Hakima. *Perspectives: Morocco's family code, 5 years later*. 2009.

<http://www.commongroundnews.org/article.php?id=25395&lan=en&sid=1&sp=0> (accessed 2010 4-March).

*Historic Growth Trend of Tunisia's Economy, 1962 – 2007*. 2009.

<http://www.nawaat.org/portail/2009/04/10/historic-growth-trend-of-tunisias-economy-1962-2007/> (accessed 2010 22-January).

IMF. *Tunisia and the IMF*. 2008. <http://www.imf.org/external/country/TUN/index.htm> (accessed 2010 23-January).

Ketterer, James. *Networks of Discontent in Northern Morocco: Drugs, Opposition and Urban Unrest*. [http://www.merip.org/mer/mer218/218\\_ketterer.html](http://www.merip.org/mer/mer218/218_ketterer.html) (accessed 2010 4-March).

Layachi, Azzedine. *Economic Crisis and Political Change in North Africa*. London: Praeger, 1998.

Moghadam, Valentine M. *Women, Work, and Economic Reform in the Middle East and North Africa*. Lynne Rienner Publishers, 1998.

*Morocco - History*. 2009. <http://www.nationsencyclopedia.com/Africa/Morocco-HISTORY.html> (accessed 2010 4-March).

*Morocco confirms large growth in tourism*. 2009 September.

<http://www.afrol.com/articles/13862>.

*Morocco's Vision 2010 Program - Morocco Investment Brief*. 2007.

<http://www.essentialmorocco.com/investment-brief-for-morocco.html> (accessed 2010 24-February).

Murphy, Emma. "Economic and Political Change in Tunisia." p. 125, 130, 138. New York, USA: St. Martin's Press, 1999.

Pennell, C.R. *Morocco since 1830: A History*. New York: New York University Press, 2000.

Shabon, Anwar. *The Political, Economic , and Labor Climate in Tunisia* . Philadelphia, PA: Industrial Research Unit Press, 1985.

Sicree, Dr. Andrew A. *Morocco's Trilobite Economy*. 2009 April.  
<http://www.saudiaramcoworld.com/issue/200902/morocco.s.trilobite.economy.htm>  
(accessed 2010 2-March).

Thomson Gale. *Tunisia Economic Development*. 2006.  
<http://www.nationsencyclopedia.com/Africa/Tunisia-ECONOMIC-DEVELOPMENT.html>  
(accessed 2010 22-January).

*Tunisia - Overview. European Union Information*.  
[http://ec.europa.eu/comm/external\\_relations/tunisia/intro/index.htm](http://ec.europa.eu/comm/external_relations/tunisia/intro/index.htm) (accessed 2010 20-February).

*Tunisia Country Brief*. 2009. <http://go.worldbank.org/M7QSXS3G0> (accessed 2010 21-January).

Tunisia Online. *The Financial System*. 2006.  
<http://www.tunisiaonline.com/economy/economy2.html> (accessed 2010 19-January).

*Tunisia: Human Right's Lip Service*. 2008. <http://www.amnesty.org/en/for-media/press-releases/tunisia-human-rights-lip-service-20080623> (accessed 2010 24-January).

*Tunisian Investment Authority. Knowledge Based Jobs in Tunisia*. 2008.  
<http://www.investintunisia.tn/document/295.pdf> (accessed 2010 08-March).

Welzel, Inglehart and. *How Development Leads to Democracy*. Foreign Affairs, March / April 2009.

White, Gregory. *A Comparative Political Economy of Tunisia and Morocco*. Albany, Ny: State University of New York, 2001.

World Bank. *The EU Agreement & Tax Reform in the Mediterranean Region*. 2005.  
<http://www.worldbank.org/mdf/mdf1/tax.htm> (accessed 2010 24-January).

—. *Tunisia's Global Integration*. Washington, D.C.: World Bank, 2009.

Zartman, William. "Tunisia: The Political Economy of Reform." 122-124, 146. Boulder, USA: Lynne Rienner Publishers Inc, 1990.